

Rep. Passman Linked To Rice Sales Abroad

First of two articles

By Dan Morgan

Washington Post Staff Writer

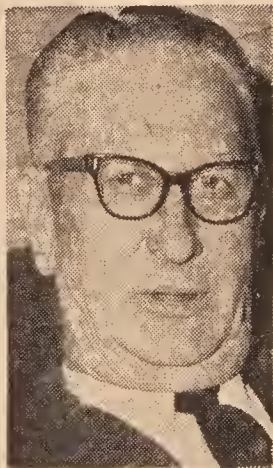
Rep. Otto E. Passman (D-La.), chairman of the House subcommittee that oversees foreign aid appropriations, has frequently helped sell U.S. rice for cash to countries that receive large amounts of American economic and military assistance.

On at least one occasion, Passman also sought to aid one of the largest private U.S. rice trading companies while on a trip abroad paid for by the taxpayers.

This company, whose president Passman describes as a friend, has sold more than half the rice shipped overseas under the Food for Peace program since 1969.

The firm, the Connell Rice and Sugar Co., also figures in an Agriculture Department investigation. The inquiry began last summer after Sen. John J. McClellan's office passed on complaints from rice industry constituents.

The department is trying to learn whether the Connell company distorted the



OTTO E. PASSMAN

...went to Jakarta ...

rice market in this country by temporarily defaulting on commercial rice shipments to Indonesia—the matter which Passman took up with foreign officials while abroad in 1974.

In a telephone interview, Grover Connell, president of the New Jersey firm, said his company had cooperated fully in the government i

See RICE, A22, Col. 1

WASH POST
JAN 26 75

Wilson Set to Press Detente

Washington Talks to Be Followed by Moscow Trip

By Bernard D. Nossiter
Washington Post Foreign Service

LONDON, Jan. 25—Prime Minister Harold Wilson, hoping to strengthen East-West detente, travels to Washington next week for his first meeting with President Ford.

Wilson is due in Moscow the following week, and he sees himself serving as a useful messenger between the two capitals. In view of Britain's troubled economy and reduced military outlays, however, the government here has no illusions about its influence on the two superpowers.

The Washington talks are expected to center on an examination of whether Moscow is turning from the policy of improved relations with the West. Despite the Soviet Union's rejection of the trade pact with the United States, Wilson is known to believe that no change of direction has been signaled.

Instead, the government here thinks that this episode is only "a hiccup, or the backfire of a motor" that is running fairly well, as one key official put it. Soviet diplomats are known to have suggested that Wilson and Mr. Ford issue a joint statement proclaiming that detente is alive and flourishing. The prime minister is expected to seek something like this in Washington.

The Soviet Union is also understood to have encouraged Wilson to urge Washington to reconvene the Geneva conference on the Middle East. The Soviets have been saying that no peace is possible without their involvement, and the present piecemeal approach con-



HAROLD WILSON
... holds middle view

ducted by Secretary of State Henry A. Kissinger excludes them from the negotiations.

The prime minister holds a middle view. He believes that the Kissinger technique has a good chance of achieving another agreement soon—a further pullback by Israel in the Sinai in exchange for some political concession by Egypt.

But Wilson also agrees with Moscow that the Soviet Union has a central role to play in the region. He can be expected to argue that a Geneva conference, embracing other Arab states and the Soviet Union, is an inevitable next step after a partial Israeli-Egyptian accord is reached.

In the prime minister's opinion, both Israel and Egypt are ready to make a deal, and he views talk of another Middle East war this spring as unwarranted. The belief in the Wilson Cabinet is that the danger of war is receding, although

government experts are markedly less optimistic.

Wilson will be accompanied on his diplomatic tour by James Callaghan, the foreign secretary. The pair first visits Ottawa Tuesday for talks with Canadian Prime Minister Pierre-Elie Trudeau. They see President Ford and Kissinger on Thursday and Friday, and also meet with the Senate Foreign Relations Committee. Wilson will address the National Press Club on Friday. Before returning to London Saturday, he and Callaghan go to New York to consult with U.N. Secretary General Kurt Waldheim.

Wilson and Callaghan believe there are no important differences to settle with the United States. Washington, however, is expected to register its concern over London's plans to cut back defense spending. Wilson, in turn, is likely to stress the importance of avoiding confrontation with oil producing states and to suggest that the Ford-Kissinger hints of military intervention over oil are not helpful.

The government here knows that Washington wants Britain to stay in the Common Market, an issue that Wilson will put to a referendum scheduled for June. The prime minister has indicated that he shares the U.S. position, but he will tell the President that an open expression of the American desire would play into the hands of the Market's opponents, notably those in the left wing of Wilson's Labor Party.

Wilson's hardest task may be his effort to convince the

United States that the British economy is stronger than it is popularly portrayed. Inflation here is running above 19 per cent. Wage costs are climbing at a 29 per cent pace. Unemployment has risen to nearly three quarters of a million, and the balance of payments in the last quarter was in the red at a yearly rate of \$9 billion.

The prime minister will want to prepare the ground for drawings from the new funds created to help nations with their oil bills. He will argue that Britain is conserving energy, having already cut its oil consumption by 7 per cent and aiming now at a 10 per cent slash from 1973.

One index of Britain's weakness lies in the frank acknowledgement here that London can do little to encourage a settlement between Rhodesian Prime Minister Ian Smith's white regime and the country's black majority. Callaghan has just returned from an African tour that was notable chiefly for the stories it generated about the prospects for new moves. Now, London is saying that Smith cannot be trusted, that pressure from Prime Minister John Vorster of South Africa is the best hope for extracting concessions from Smith.

Other topics scheduled for discussion in Washington are: The problems created by the growing number of states that possess nuclear weapons; the European security conference, which Wilson believes could be concluded with a summit meeting in Helsinki this summer; and fresh steps to link oil consuming nations.

'73 Arms Spending Near \$250 Billion

ARMS, From A1

crease in expenditures worldwide, the report says, was at a lower rate than the increases in the 1963-1966 and 1966-1969 periods.

Calculated in 1972 constant dollars—which means that the dollar estimates are corrected for inflation—the ACDA estimates that world military expenditures in 1973 were about \$241 billion. At 1972 prices, the 1963 global defense bud-

gets would have amounted to \$197 billion.

The two superpower blocs dominated the global picture. During 1973, the United States-led NATO alliance spent \$110.4 billion on arms, or 45.6 per cent of the global figure, according to ACDA. The United States accounted for \$74.2 billion, the survey finds.

The Warsaw Pact countries spent an estimated \$94.3 billion, or 39 per cent of the world figure, with the Soviets

accounting for about \$81 billion of that total.

Estimates of Soviet expenditures, however, have always been a source of controversy because of the lack of officially published Soviet government figures and the difficulties of accurate ruble-dollar conversion.

The Central Intelligence Agency and the Pentagon, both of which have been insisting the Soviets were out-

spending the United States on pure military accounts, attempt to assess the amount and quality of Soviet forces and equipment and relate that to equivalent U.S. costs.

In calculating read superpower military spending, the ACDA does not take into account items as veterans' benefits, civil defense, civilian space activities, industrial stockpiling of strategic materials and public debt service.

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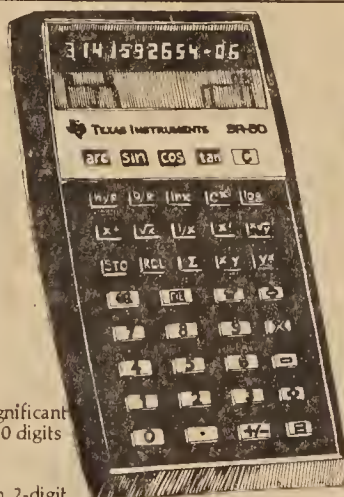
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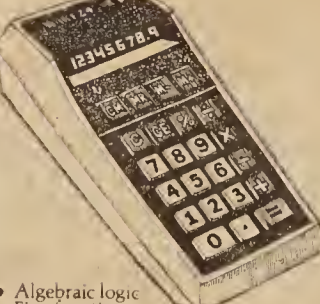
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Rep. Passman Linked to Rice Sale

RICE, From A1

quiry. He said a report resulting from it "showed in every respect that we did the correct thing."

An Agriculture Department official said the investigation was still under way and expressed surprise that Connell could have knowledge of the contents of the "limited distribution" interim report.

At issue is whether the Connell deal and events following it may have affected rice prices, or even benefited individual firms.

Similar questions were raised in 1972 following the massive sale of U.S. grain to the Soviet Union.

By contrast with that larger deal, Connell's 1973 contract to sell rice to Indonesia was for 110,000 tons, only 5 per cent of total U.S. exports of rice. However, in a period of tight supplies, the announcement of the sale contributed to a sharp rise in prices. "It lit a fire under the rice market," said a commodity broker.

Instead of delivering the full amount of rice at \$420 a ton, as called for in a contract signed Aug. 3, 1973, Connell shipped only 28,000 tons to Indonesia by the end of 1973.

As prices climbed, Connell sold thousands of tons of rice to Cambodia and South Vietnam. These sales were financed by dollar credits provided by the U.S. government, under the Food for Peace program.

At one point in Fiscal 1974, a Food for Peace contract was awarded to Connell for delivery of rice at \$614 a ton—a record for the 20-year history of food aid program.

The soaring rice prices not only hit the pocketbooks of American consumers, but also meant there would be less food available for shipment abroad under the food aid program, as the world slipped into a period of cereal crop scarcity. This is because, as prices rose, the money appropriated for the program by Congress could buy fewer commodities.

Connell labels as "ridiculous" charges made by competitors that his company earned a \$14 million "windfall" profit by diverting rice destined for Indonesia in 1973 to the Food for Peace program, at higher selling prices.

The controversy over rising prices and rumors of windfall profits was repeated in other agricultural sectors after wild price swings started in 1973.

But only in rice sales was a single legislator so closely identified with the fortunes of farmers, millers and traders as Passman was, according to sources in both industry and government.

It is unclear to some of them whether this association always benefited the Delta rice farmers of Pass-

man's 5th Congressional District.

In early 1974, Gulf state rice farmers were angered when Passman asked the U.S. Agency for International Development (AID) to halt rice food aid shipments to Cambodia. As chairman of the Foreign Operations Subcommittee of the House Appropriations Committee, Passman oversees AID spending.

Some legislators in Arkansas and Louisiana also were angry. According to a former aide of then Sen. J.W. Fulbright (D-Ark.), "some of the rice people felt that the Agency for International Development was playing hanky-panky with Passman."

At the time, Fulbright was in a losing primary campaign battle in Arkansas and seeking support of rice farmers.

"Some of these rice people felt he (Passman) wanted to delay shipments to Cambodia to influence the market downward, to help Connell get off the hook with the (Indonesian) contract," the former aide said.

Passman responded that he opposed further shipments because he had learned there was a rice surplus in Cambodia and wanted to "save the taxpayers' money." The congressman got this information from Connell, the export company's president said.

Within the last few months—following a bumper rice crop and slightly lower prices—Passman has again been pushing government agencies to increase the rice component of Food for Peace, AID officials say.

In the country's concentrated and competitive rice trade, however, it is still the Passman role in the Connell deal with Indonesia that is considered most controversial.

No improprieties have been alleged by any government agency. But the matter is still subject to varying interpretations, depending on whether they come from the congressman's friends or critics.

Connell said last week the dispute was resolved finally last year. Final rice deliveries were made last month.

Connell confirmed that Passman introduced him to Indonesian government officials in the congressman's office a few days before the original contract was signed.

Asked if Passman had acted as a broker, Connell said: "One might get that impression, but it would be false."

In any event, after making an initial delivery of 28,000 tons of No. 5 milled rice at \$420 a ton, against the 110,000 ton contract, further shipments were delayed. During this subsequent period prices paid to Connell in Food for Peace contracts moved up—first to \$440, then to \$579, then to \$614, before sliding down to \$560 again.

When Indonesia began pressing for the deliveries,

citing its own poor rice crop and ominous food deficit, Connell said, he sought "equal treatment" with two subsidiaries of the Continental and Cargill grain companies. These companies also were doing business with Indonesia.

Those firms had the option of meeting their rice commitments through sale of cheaper rice stocks abroad.

Indonesian authorities maintain that the difference was that those two firms were delivering rice at considerably lower prices than Connell. Those lower prices reflected the lower world market price for the commodity.

Indonesian authorities insist that in the case of Connell "there was no discrimination—the agreement was very clear."

It was at this impasse that Connell turned to Passman. "We spoke to him (Passman) to ask if he would speak to the Indonesians in our behalf to ask that we receive the same treatment as anybody else," he said.

Passman arrived in Jakarta in mid-January, 1974, accompanied by several Louisiana friends.

He held several meetings with Gen. Bustanil Arifin, head of the country's Bureau of Logistics (Bulog), which signed the Connell deal.

Passman denied last week that he did any negotiating on behalf of Connell.

However, a U.S. official who was reached in Jakarta by telephone last week said, "When he arrived, we learned he wanted to discuss the contract."

The 74-year-old congressman's trip included an overnight side trip to Bali. Before leaving, Passman had the U.S. embassy send an unclassified cable advising U.S. agencies concerned about the matter's impact on Washington-Jakarta relations that Connell would deliver the remaining rice tonnage. Connell said last week he never gave Passman authority to make commitments on behalf of his company.

Indonesia continued to insist on delivery of American rice.

Several months after returning from Jakarta, Passman urged a reduction of aid funds to Indonesia at a hearing of his subcommittee.

When a government witness said that some funds were being cut, Passman snapped, "Why not all of them?"

Passman maintains that he represents the whole rice industry in his efforts overseas. However, critics say it is hard to see how delaying rice exports could have helped farmers or millers in his northeast Louisiana constituency. Rice has been growing longer and more abundantly in other parts of Louisiana than in Passman's district for years.

Connell maintains that it made sense to limit com-

mercial exports of U.S. rice in later 1973 and 1974.

Prices were rising, pressures were increasing from consumers, there were demands for export controls and the government had committed large amounts of food-aid rice to Indochina, to meet strategic and political needs, he noted.

A Passman overseas traveling companion, Gordon Dore, president of the Supreme Rice Mill of Crowley, La. (which is not in Passman's home district), blamed the controversy on animosities within the highly concentrated, highly competitive rice industry.

Passman's involvement, however, sheds some light on the extensive role that the Louisianan plays in the U.S. rice industry's struggle for markets at home and abroad.

According to sources in the House, there are few, if any, political patrons of a narrow agricultural interest to match him in American politics.

In early 1971, for instance, Passman personally negotiated with South Korea's deputy prime minister, the late Kim Hak Yul, for massive rice purchases from the U.S.

According to officials with first-hand knowledge of his meeting with Kim, Passman indicated he could help arrange U.S. government financing for the rice if South Korea would match the purchases it recently had made from Japan. Passman was accompanied by then Rep. Edwin Edwards (D-La.), now governor of Louisiana.

South Korea is one of the largest recipients of the economic and military aid that is cleared by Passman's House subcommittee.

Subsequently, the AID took the unprecedented step of granting South Korea a "development loan" for the purposes of purchasing rice in the United States.

Almost all officials interviewed by The Washington Post indicated that the use of development loans to finance commodity purchases is unusual. The rice loans were for 30 years, at 3 per cent interest. They were for \$31 million in March, 1971; \$17 million in March, 1972, and \$25 million in February, 1973.

Several U.S. officials said the loans were given because funds were short for such credits in the Food for Peace program and Passman was keeping the pressure on for shipping more rice to Korea.

"When you talk about rice and Korea you almost have to think of Passman," said an official of a big grain company.

In an interview last week, Passman took personal credit for persuading South Korea to order 200,000 tons of California and Gulf state rice from the United States in mid-December. South Korea subsequently negotiated the purchase of the rice from the Connell company.

"I've been instrumental in

helping to sell rice for cash in appreciation for what we (the United States) have done for countries in the past," Passman said in an interview.

He also pulled out a newspaper clipping about a commercial sale by Thailand of 50,000 tons of rice to Bangladesh.

"If Bangladesh expects our help they should be thinking of us," he said. He said he had indicated this view to Dacca officials.

Promoting U.S. industry abroad is standard procedure for traveling members of Congress. But some of Passman's critics question whether his rice selling abroad is proper in light of his enormous power over the foreign aid budget, and development projects in those countries.

Passman's power intimidates diplomats, bureaucrats, and rice industry executives, it is clear from dozens of interviews conducted by The Washington Post.

Several foreign diplomats said that any criticism of Passman traceable to them could have adverse consequences for their countries and could even result in a worsening of malnutrition at home.

Rice industry sources said it would be "ruinous" if they were quoted in print as being critical of Passman.

"You don't go out of your way to kick him in the shins," said a former government aide. "He really throws his weight around. Don't use my name, because I might come back into government some day."

Passman's inspection tours of foreign aid program abroad have become famous in the lore of AID, whose budget Passman annually scrutinizes and whose programs he has often whittled down over the years.

Passman says that all his trips are paid for by "the same people who pay AID officials to travel all over the world spending money"—the U.S. taxpayers.

His latest trip, in January, was a global tour. Four of the five countries on the itinerary were major rice importers.

In Seoul from Jan. 9 to 11, Passman was booked into an \$85 a day suite in the Chosun Hotel, according to The Washington Post's Don Oberdorfer.

Passman denies that the power he wields is ever used to the benefit of any individual company.

He is aware there is criticism of his close association with Connell and his rice and sugar company.

But he asserts: "I help all companies. They come to me. Grover Connell is a friend, but not a particular friend. When he asks me something, my answer is always guarded."

The most important things in life, he adds, are "love and loyalty."

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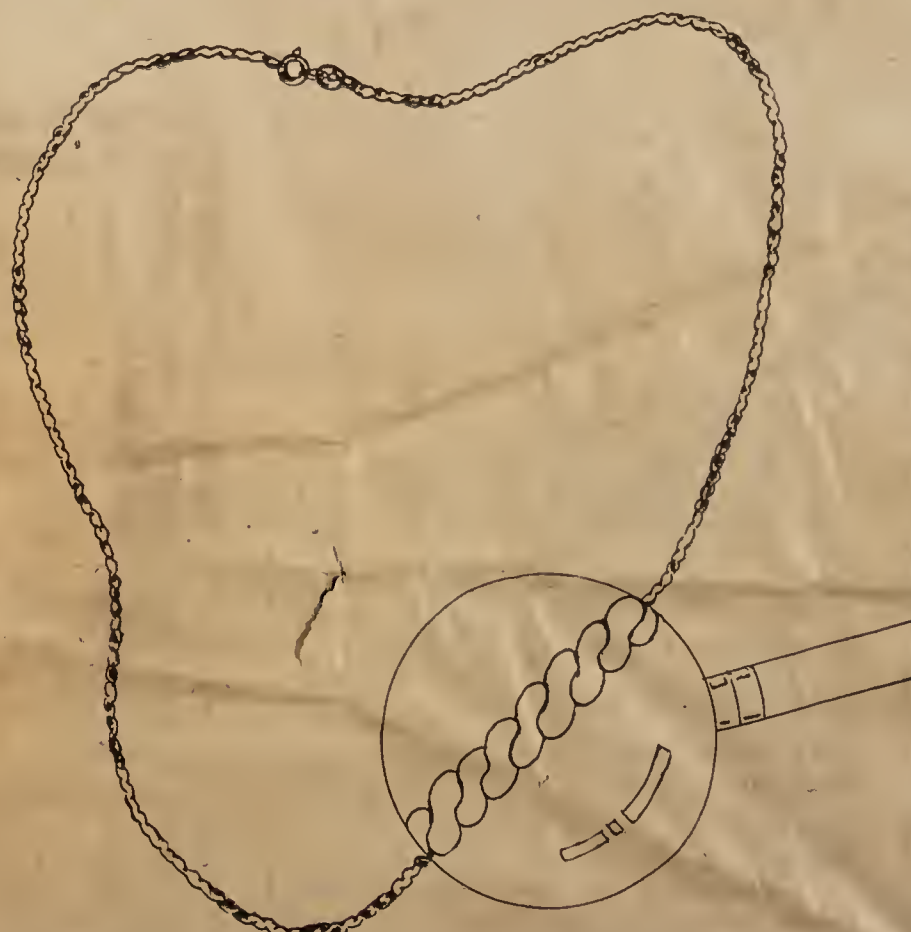
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nell for delivery of rice at \$614 a ton—a record for the 20-year history of food aid program.

The soaring rice prices not only hit the pocketbooks of American consumers, but also meant there would be less food available for shipment abroad under the food aid program, as the world slipped into a period of cereal crop scarcity. This is because, as prices rose, the money appropriated for the program by Congress could buy fewer commodities.

Connell labels as "ridiculous" charges made by competitors that his company earned a \$14 million "windfall" profit by diverting rice destined for Indonesia in 1973 to the Food for Peace program, at higher selling prices.

The controversy over rising prices and rumors of windfall profits was repeated in other agricultural sectors after wild price swings started in 1973.

But only in rice sales was a single legislator so closely identified with the fortunes of farmers, millers and traders as Passman was, according to sources in both industry and government.

It is unclear to some of them whether this association always benefited the Delta rice farmers of Pass-

cial say.

In the country's concentrated and competitive rice trade, however, it is still the Passman role in the Connell deal with Indonesia that is considered most controversial.

No improprieties have been alleged by any government agency. But the matter is still subject to varying interpretations, depending on whether they come from the congressman's friends or critics.

Connell said last week the dispute was resolved finally last year. Final rice deliveries were made last month.

Connell confirmed that Passman introduced him to Indonesian government officials in the congressman's office a few days before the original contract was signed.

Asked if Passman had acted as a broker, Connell said: "One might get that impression, but it would be false."

In any event, after making an initial delivery of 28,000 tons of No. 5 milled rice at \$420 a ton, against the 110,000 ton contract, further shipments were delayed. During this subsequent period prices paid to Connell in Food for Peace contracts moved up—first to \$440, then to \$579, then to \$614, before sliding down to \$560 again.

When Indonesia began pressing for the deliveries,

The 74-year-old congressman's trip included an overnight side trip to Bali. Before leaving, Passman had the U.S. embassy send an unclassified cable advising U.S. agencies concerned about the matter's impact on Washington-Jakarta relations that Connell would deliver the remaining rice tonnage. Connell said last week he never gave Passman authority to make commitments on behalf of his company.

Indonesia continued to insist on delivery of American rice.

Several months after returning from Jakarta, Passman urged a reduction of aid funds to Indonesia at a hearing of his subcommittee.

When a government witness said that some funds were being cut, Passman snapped, "Why not all of them?"

Passman maintains that he represents the whole rice industry in his efforts overseas. However, critics say it is hard to see how delaying rice exports could have helped farmers or millers in his northeast Louisiana constituency. Rice has been growing longer and more abundantly in other parts of Louisiana than in Passman's district for years.

Connell maintains that it made sense to limit commer-

largest recipients of the economic and military aid that is cleared by Passman's House subcommittee.

Subsequently, the AID took the unprecedented step of granting South Korea a "development loan" for the purposes of purchasing rice in the United States.

Almost all officials interviewed by The Washington Post indicated that the use of development loans to finance commodity purchases is unusual. The rice loans were for 30 years at 3 percent interest. In March, 1971, \$31 million; in March, 1972, \$17 million; in February, 1973, \$25 million.

Several U.S. officials said the loans were given because funds were short for such credits in the Food for Peace program and Passman was keeping the pressure on for shipping more rice to Korea.

"When you talk about rice and Korea you almost have to think of Passman," said an official of a big grain company.

In an interview last week, Passman took personal credit for persuading South Korea to order 200,000 tons of California and Gulf state rice from the United States in mid-December. South Korea subsequently negotiated the purchase of the rice from the Connell company. "I've been instrumental in

Passman's inspection tours of foreign aid program abroad have become famous in the lore of AID, whose budget Passman annually scrutinizes and whose programs he has often whittled down over the years.

Passman says that all his trips are paid for by "the same people who pay AID officials to travel all over the world spending money"—the U.S. taxpayers.

His latest trip, in January, was a global tour. Four of the five countries on the itinerary were major rice exporters.

In Seoul, Passman was from Jan. 9 to 11, \$85 a day subbed into an sun Hotel, according to The Washington Post's Y to The erdorder.

Passman denies the power he wields is even at the to the benefit of any individual company.

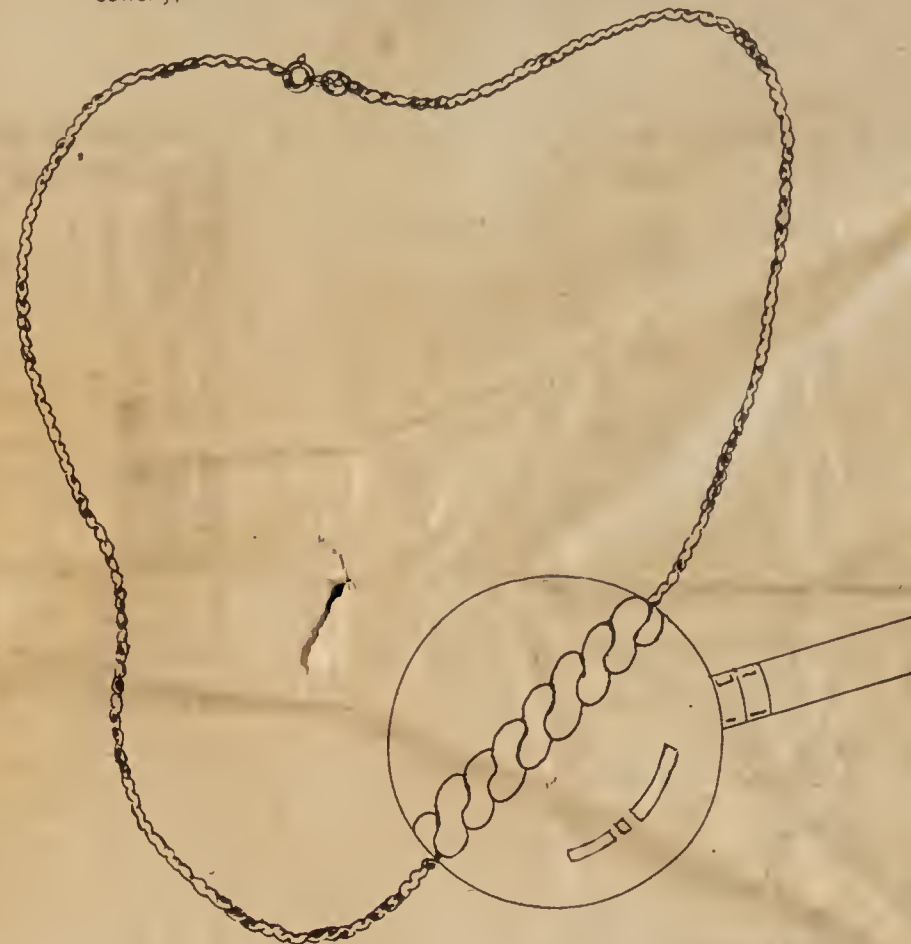
He is aware there is criticism of his close association with Connell and Ocation and sugar company, his rice

But he asserts: "I help all companies. They come to me. Grov. They come to friend, but Connell is a friend. What a particular something he asks me, my answer is always guarded."

The most important things in life, he adds, are "love and loyalty."

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